

Message Text

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ORIGIN AF-10

INFO OCT-01 EB-08 ISO-00 AID-05 COME-00 TRSE-00 XMB-02

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DRAFTED BY AF/E:KSMITH:CJ

APPROVED BY AF/E:RPOST

EB:M. BOERNER (INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY ANTANANARIVO

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E.O. 11652: GDS

TAGS: '- BDIS, MA, US

SUBJECT: EXPROPRIATION OF OIL FIRMS

1. JESSUP OF EXXON CALLED AF/E DIRECTOR POST JUNE 29 TO ADVISE THAT OIL COMPANIES HAD FOR A TIME BEEN ENCOURAGED BY GDRM WILLINGNESS HAVE FIRMS SELECT SINGLE BARGAINING AGENT FOR SPECIFIC FUNCTIONS NATIONALIZED (E.G., REFINING, RETAIL). HOWEVER, COMPANIES WERE NOW COMING TO CONCLUSION THAT SIGNIFICANT PROGRESS UNLIKELY.

2. POST MENTIONED THAT WE WERE CONSIDERING WHETHER MOVES TO NORMALIZE US-MADAGASCAR RELATIONS MIGHT NOW BE POSSIBLE. WE HAD COME TO NO CONCLUSIONS BUT IF SUCH MOVES WERE TAKEN THEY MIGHT IMPROVE CHANCES OF MAKING SOME PROGRESS TOWARD COMPENSATION FOR NATIONALIZED FIRMS. FORMAL FINDING BY OIL COMPANIES THAT GDRM HAD MADE NO SIGNIFICANT PROGRESS TOWARD COMPENSATION COULD WORK AGAINST NORMALIZATION, SINCE IT MIGHT LEAD TO NEGATIVE US VOTES IN INTERNATIONAL FINANCIAL INSTITUTIONS AND WOULD RULE OUT THEORETICAL POSSI-

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BILITY OF BILATERAL ECONOMIC AID. FIRMS MIGHT WISH WEIGH PROSPECTS OF ACHIEVING SATISFACTORY COMPENSATION, WHICH ADMITTEDLY APPEARED DIM AT MOMENT, AGAINST VALUE OF FORMALLY ABANDONING EFFORTS, WHICH PRESUMABLY WOULD CARRY SOME TAX WRITE-OFF ADVANTAGE FOR COMPANIES.

3. ACTION REQUESTED: DEPARTMENT WOULD APPRECIATE STATUS

REPORT FROM EMBASSY ON COMPENSATION ISSUE. IF EMBASSY FEELS IT MIGHT BE USEFUL OR, AT LEAST, NOT HARMFUL TO COMPANIES' INTERESTS, YOU MIGHT WISH TO APPROACH APPROPRIATE GDRM OFFICIAL (S) TO INQUIRE FROM THEM ABOUT STATUS OF COMPENSATION ISSUE, INDICATING OUR HOPE THAT RECORD OF PROGRESS CAN BE DEMONSTRATED SINCE, WITHOUT SUCH RECORD, ROAD TO IMPROVEMENT IN US-MADAGASCAR RELATIONS COULD BE FURTHER COMPLICATED. VANCE

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